

Marshall Testimony of May 6, 1948

TRADE AGREEMENTS PROGRAM

TESTIMONY

BEFORE THE

SUBCOMMITTEE ON TARIFFS AND FOREIGN TRADE

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

EIGHTIETH CONGRESS

SECOND SESSION

ON THE

**OPERATION OF THE TRADE AGREEMENTS
PROGRAM**

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TRADE AGREEMENTS PROGRAM

THURSDAY, MAY 6, 1948

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TARIFFS, TRADE
AGREEMENTS AND FOREIGN TRADE OF THE
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The subcommittee met at 9:45 a.m., in the committee room of the Ways and Means Committee, New House Office Building, the Honorable Bertrand W. Gearhart (chairman of the subcommittee) presiding.

Mr. GEARHART. The Subcommittee on Tariffs, Trade Agreements, and Foreign Trade will convene again to receive the counsel and advice of the Secretary of State.

Mr. Marshall, needless to say, we are delighted to have you here today. We are very grateful to you for giving of your time. No American people more than the members of this committee realize how terribly busy you are and how terrific are your responsibilities during these trying days, so your presence here is deeply appreciated.

STATEMENT OF THE HONORABLE GEORGE C. MARSHALL, SECRETARY OF STATE

Secretary MARSHALL. Thank you very much.

Mr. GEARHART. It will not be necessary for me to ask you to state your name and tell the reporter who you are. I think everybody in the world knows those answers, so proceed, Mr. Secretary, in your own way.

Secretary MARSHALL. Mr. Chairman, I wish to say preliminarily that I have had the very minimum of time to inform myself regarding the technical detailed aspects of the matter that we are considering.

Its broad principles I understand. I know it has been the policy of the Department through a considerable period of years, but I tell you the fact that I have had no opportunity to go into all the various pros and cons in detail Mr. Clayton will give you the direct answers or the facts, as the case may be, on the technical aspects of the problem.

I am appreciative of what the chairman has just said regarding me personally.

I appreciate this opportunity to give your committee the reasons for my conviction that renewal of the trade-agreements authority for a further period of 3 years is highly important in the present state of world affairs. Mr. Clayton will give you the views of the Department in more detail. I will confine myself to a statement of the basic reasons why I regard the immediate renewal of this act as essential.

There are two economic and political systems in the world today. They are as wide apart as the poles. The system in which we and [p.237/238] many other nations believe is predicated upon the right of individuals and nations to choose and pursue their own way of life without constraint from any government or group. Under this system, the individual is of supreme importance and the government should have only the powers which the people freely give it.

That system is being challenged by another system to the effect that the state should be supreme, and, on the contrary, that our way of life leads only to disintegration and depression, disillusion, and despair. The proponents of the other system proclaim to the world that our system will not work. We must make clear to the world that it does work.

Because of our resources and our capabilities, and through force of circumstances, the United States has become the leader of the non-Communist world, the rallying point for the free nations of the earth. The Congress has recognized this in the enactment of the European recovery program, designed to assist the participating nations in the restoration of their economies, so that they will be able to preserve their integrity and independence. The ERP is a mobilization for peace, meeting the challenge of an alien system by strengthening the hands of those nations that believe as we do.

The statute establishing the ERP provides that bilateral agreements shall be made with the participating nations. The statute states as one of the prime conditions that the participating nations must agree to cooperate in facilitating and stimulating the interchange of goods among themselves and between themselves and other nations, and must cooperate to reduce barriers to trade among themselves and between themselves and other nations. In effect, we require these 16 nations to enter into reciprocal-trade agreements among them-selves and between themselves and other nations. This is a wise provision because the recovery of Europe depends upon a great increase in the production of goods; and markets for these goods wait upon a lowering of barriers to the exchange of such goods.

The ERP was a vital step; but only a first step. We must now follow through with measures to make ourselves and other free nations stronger. We must work closer together in commerce. No economic bond is closer than the friendly ties of mutually satisfactory trade. No force is more divisive than the introduction or maintenance of unnecessary barriers to such trade.

So, the first fundamental reason for my conviction that renewal of the Trade Agreements Act is particularly important at this time is because that act is a well-tried, useful and effective instrument by which we can further develop economic ties with other nations which believe as we do and want the kind of world that we want.

There is another reason for this conviction. We, in the United States, perhaps more than in any other part of the world, believe in private enterprise. We are convinced that trade within our country and between our country and other nations can best be so conducted. And we further believe in equality of opportunity. As stated in the Atlantic Charter, every country should have equal access to the trade and raw materials of the world. There are, we must admit, some exceptions to this principle; we do not always follow it ourselves. (I am referring here to Cuba and the Philippines.) But we sincerely believe it to be an objective which we should seek to achieve.

Since World War II, economic conditions in most of the rest of [p. 238/239] the world have been chaotic in the extreme. Shortages have been the rule for most countries since the war, as they were during the war. And, during the war, techniques for the control and direction of trade by governments have been brought to a high degree of perfection. Principally because of shortages of goods, the international trade of a large part of the world has, since the war, been governed by bilateral agreements between governments. Imports and exports have been directed and controlled by governments as to source, destination and quantity. In such a world, the private trader is at a serious disadvantage, and in the long run would be forced out of business. Moreover, international trade cannot be controlled and directed by government in isolation from domestic trade. If international trade is to be controlled by government, the tentacles of such control must inevitably reach down into the operation of domestic trade. We do not want this to happen to the trade of the United States, either domestic or foreign.

And so the other great task confronting us in the economic field today is to build the kind of international trading conditions in which private trade can survive and grow. It is to this end that the United States has taken the lead since World War II in securing international agreement as to the rules which should govern international trade and the reduction of the barriers imposed by governments against that trade. It is for that reason that we have sought and obtained agreement that equality of opportunity rather than discrimination should be the rule, that quotas would not be used for protective purposes and that tariffs would be maintained at moderate levels. If the international trade of the world cannot be free from unnecessary obstacles over a wide area, and if many countries do not participate in the pursuit of this objective, governments will have no choice but to continue their control over and direction of their international trade, to the detriment and perhaps the extinction of the private trader.

We have taken leadership in the world in every effort to keep the way open for private enterprise, and if we surrender that leadership, there does not appear to be any other country at present capable of assuming the leadership in the matter. The Trade Agreements Act which has been in force now for 14 years is the cornerstone and keystone of our foreign economic policy.

Any serious weakening of the Trade Agreements Act at this critical period in world affairs would almost certainly be regarded by other countries not only as a surrender of our leadership in the international economic field, but as a repudiation of much that has been accomplished under our leadership in that field.

The preservation of our leadership in this field depends upon the continuity and consistency of that policy.

I said the other day, in talking to the United States Chamber of Commerce, that I thought one of the most serious difficulties with which we have to labor is the recognition by the people generally, and, of course, by the Congress and the executive branches of the Government specifically, that we must have a reasonable continuity in the conduct of our foreign policy.

The economic factors in foreign policy now are dominant. At the moment, of course, we are concerned with reestablishing a better equilibrium of military strength to meet the fears and the possible [p.239/240] continued subversive actions that have been prevalent in Europe, but it is the economic factors which I think will largely

determine the great issues in the international field in times of peace and will make a pattern for peace or for possible war.

I endeavored to illustrate the point by commenting on the continuity of British foreign policy through many years, and its parallel dominant position in the world. Small as the nation actually was, minute almost as it was geographically, it maintained that position. I think the area of the United Kingdom is about the area of Idaho. I have forgotten the population of Idaho, but it is not a very large figure. The United Kingdom is one of the most densely populated areas in the European theater. Everybody there is a short distance from the sea. I think the greatest distance is 150 miles. They all understand that their well-being depends directly on imports and exports. As a partial corollary to that one did not have to argue very much with the British public about the strength of a navy which backed up their foreign policy.

The British recognized instinctively—"geographically" may be the better word—the vast importance to them of international trade, and, therefore, were vitally interested in the conditions under which international trade was conducted. For a long period of years they occupied a dominant position in the world.

I have seen some issue taken with this view in an editorial which referred to the errors alleged on the part of the British foreign policy in connection with the Manchurian incident and thereafter. For long years there was great respect, almost fear, of the influence of the British Foreign Office. There was a feeling always that they knew what they were about and were determined in their course and were not swayed one way or the other through the years.

Well, as I have been endeavoring to illustrate, British foreign policy developed from the common reaction of the British people to their situation, because of their complete dependence on imports and exports, and because of their contacts with friends and relatives who, as they drifted away from this overdensity of population, became established in South Africa, India, China, and other parts of the world such as Canada, Australia, New Zealand, and so forth.

We are now, I think, by common consent, in the position of leadership, economically and in other ways. Our problem is to fulfill that obligation, and the difficulty in a country as large as ours, as diverse in its characteristics, is to accomplish the desired end. For example, the characteristics are very different between west Texas and east Texas, between Houston and El Paso. There is a tremendous difference in the character and life of the people, just as there is between the Rocky Mountain States and the Mississippi Valley, the Mississippi Valley and New England, and between the west coast and the remainder of the country.

It is difficult to get a homogeneous reaction regarding international matters, and particularly in its economic aspects. Yet, in my position as Secretary of State it appears to me and appears to all of my associates that one of our greatest difficulties is in convincing the world, particularly Europe, that we are not going to vacillate, that we are not going to decide today and discard tomorrow.

We have had a long and highly illuminating and constructive debate [p.240/241] over the European recovery program. That debate has probably brought more people in the United States to a general understanding of some of the international complications and necessities than any other one subject. It is a very healthy development, but I feel we

have to go much further so that the people themselves will understand the obligations of leadership and the necessity of charting a fairly uniform course. In particular we must not abandon tomorrow what we have done today.

In the statement that I have just read, I referred to the conditions of the European recovery program which relate to matters similar to those involved in the reciprocal trade agreements. Congress has endorsed those matters in its action on the European recovery program.

In the present case we are discussing an act which has been on the books since 1934, and I understand that there is a considerable feeling that it should be not only amended, but rather severely amended.

I would regard such action as most unfortunate. If this particular act should be so amended that it, in effect, discounts what we have already decided as a policy in the European recovery program, if it discounts the developments since 1934 and makes it appear to the world that we are not going to continue on the basis of trying to smooth away the complications, and the difficulties that are necessarily involved in international trade, that I think, would be most unfortunate.

I apologize for talking at length in a rather discursive manner, but that is my point of view.

Mr. GEARHART. Mr. Secretary, it is tremendously interesting and most helpful to our thinking.

Under our Constitution we have a definite responsibility. That is to enact the laws of the country, to make them fit the conditions of the moment, to modernize them and keep them abreast of the times.

That is why we are holding these hearings. That is why, if you want to call them hearings, they are in executive session. That is why we have asked acknowledged experts to come here and consult with us as we prepare a policy, our recommendations, and report to the main committee which will make the decision.

We have expected some cooperation in our attempts to bring about a modernization in the interest of a better foreign trade, not only for ourselves, but for the world; and we have received no cooperation whatsoever.

This act, according to its terms, is manifestly obsolete. The purposes for which it was placed on the statute are purposes that are no longer important, or, if important, they have been completely served.

Now, for instance, it starts out and I quote from the act itself:

For the purpose of expanding foreign markets for the products of the United States.

Well, our foreign markets are so expanded now that our country is greatly embarrassed because of the lack of corresponding imports, and still we are asked to extend an act, the only purpose of which, recited in the act, is to expand our opportunities in foreign markets for the exporting of our goods.

Still we are told that we must continue that without the dotting of an "i" or the crossing of a "t."

Then we read on and we see the subsidiary purposes that were im-
[p.241/242]portant in 1934, but which today are not of any importance whatsoever,
because all of these objectives have been achieved. Just listen to them-

As a means of assisting in the present emergency.

which was purely economic, then.

In restoring the American standard of living.

It has been restored. We are enjoying the highest standard of living in the history
of the world.

In overcoming domestic unemployment.

More people, in larger percentage than ever before, are now employed on good
jobs at high wages.

The present economic depression.

which has long since ceased to exist.

In increasing the purchasing power of the American public-

when it is now at the highest point that it has ever been in the history of our people.

And in establishing and maintaining a better relation among the various branches of American
agriculture, industry, mining and commerce.

That is the one purpose that lingers on. Everything else has passed from the
scene, and still we are called upon to continue this act without the dotting of an "i" or the
crossing of a "t."

I do not think that is cooperation. If we do that we are unfaithful to our obligation
and the oath of office to do the legislating for the country as legislating is necessary.

Now, tariffs are cut in agreements that are consummated in the utmost secrecy.
The American people know not what is going on or what is being said in these
conferences until an agreement is announced. That is a privilege which the State
Department arrogates to itself but they deny to a group of the Congress such as this to do
anything in executive session. It is an inconsistency.

Now, they have out the tariffs on a great many products, and in doing so have
utterly ignored a provision of the act. I will ask you what you think about this particular
provision. It says the President can only, when he makes a finding as a fact, that a tariff
item is burdening our foreign trade, cut the tariffs. He must make that finding as a fact
before he can cut a tariff.

In the 14 years of the administration of this act, the President has never made a
finding that any particular tariff was burdening our foreign trade.

Now, Mr. Secretary, I would like to know what your view is, when we state that
he can only do this when he is prepared to and does make a finding of fact that a
particular tariff is burdening our foreign trade and he proceeds to cut the tariffs as he
wills, whether they are burdening American foreign trade or not. Is that according to the
legislative branch of this government the respect of its decrees that should he accorded?

Secretary MARSHALL. I would not undertake to answer that off-hand, Mr.

Chairman, because I would have to sit down and weigh carefully what has occurred. I am not prepared to do so. I am sorry. Mr. Clayton can probably give you a more direct answer. [p. 242/243]

Mr. GEARHART. That is one of the things we are giving consideration to. We suspect that some cuts in the tariff are made for reasons other than trade. We do not know what those reasons are, and we are never told.

Secretary MARSHALL. I am fairly familiar with what led up to the procedure that has been followed, to which you have just been referring. I believe that it arose from the fact that there have been about 25 efforts to get congressional action on international foreign tariffs, and I think only 3 were worked out successfully.

Mr. GEARHART. You mean on congressional reference?

Secretary MARSHALL. Yes. It has been an extraordinarily difficult thing to do through that means. I am not even prepared to discuss that very much.

Mr. GEARHART. In commenting on what you say, there never has been, to my knowledge, anything like a congressional reference which is now advocated. In the old days they used to refer the agreements to the Senate, treating them as treaties of the highest constitutional dignity. I understand that most of them that were referred to the Senate in the days gone by failed to obtain the two-thirds vote. Well, it is far more difficult to obtain a two-thirds vote in a legislative body than it is to obtain a majority.

So far as I know, no one now is suggesting that they be regarded as treaties of the highest order, asking for Senate ratification on that basis.

However, there are other things in this act, so many of them, that have been written in by the representatives of the people as safeguards, as directions to the President and to the State Department or to any other agency of the Government that the President may use in carrying on this program, directions that are plain, mandates that are clear, and they are utterly disregarded in spirit and fact.

For instance, we have a direction to the President-

to suspend application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce, or because of other acts or policies which, in his opinion, tend to defeat the purposes of the act.

The purpose of the act is to expand our foreign trade, recited in the act, and still we find that most every other country in the world, even though they make solemn agreements with us, immediately indulge in currency manipulations, establish import licenses, impose import quotas, and innumerable other methods, and those are arrayed against us to defeat our enjoyment of the concessions that they granted in their markets to us as consideration for substantial concessions to them in the American markets.

Now, for fourteen long years nearly all the countries with whom we have made agreements have promptly violated them or taken some steps one way or another to deprive us of the benefits we have thought we were securing in signing an agreement with them.

Secretary MARSHALL. I am not familiar with the past history of what you refer to, but I do know that at present times are very difficult. Notably, England is in difficulty. France has critical problems. Latin America has troubles.

There is some reasonable explanation of that, however distasteful it may be. These governments have been fighting for their lives financially. They have turned to desperate methods in order to save themselves. [p. 243/244]

I have just been in the middle of such a situation down at Bogota, where we have an example of this difficulty as faced by Latin America. Off the record—

(Discussion off the record.)

Secretary MARSHALL. Back on the record.

Mr. GEARHART. You have illustrated the very purpose of these executive sessions. You could not have said that in a public meeting, but you conveyed to us a great idea today, and still the propaganda mill of your organization is condemning us all over the country for giving you the opportunity to speak to us in confidence now.

Secretary MARSHALL. I do not know just what you are referring to. I suppose I have been busy with other things.

Mr. GEARHART. You do not read the editorials in the New Deal press?

Secretary MARSHALL. I do not know what you were talking about. I have been climbing another tree, I suppose. I find a new one every time I turn around.

Mr. GEARHART. Now, to get back to the discriminations of that type that are definitely arrayed for the purpose of discriminating against our trade, after they have obtained benefit from us in our agreements, let us consider France, for instance.

We made an agreement with France, which was one of the first agreements made under this act, and before the ink was dry on the parchment, France immediately depreciated her currency and wiped out all of the benefits that were conferred upon us, retaining all of the benefits we had conferred upon her in our end of the agreement.

Well, nothing was done about it, and France continued to enjoy the benefits in our market, and our dealers could not enjoy the benefits in her markets, not only because of currency manipulation—depreciation in that case—but she immediately imposed import licenses, and required them, and she immediately imposed import quotas which made it impossible for our American shippers, exporters, to export to France any more than they had exported theretofore.

Now, we had that example before our eyes. We knew what France did then. We did not, object to it. Then we entered into another agreement with her at Geneva, and gave her further concessions in the American market, and what did she do immediately afterward, and before the ink was dry on the parchment of the convention? She again depreciated her currency and again wiped out all of the benefits that had been conferred on us, and we today are sitting idly by permitting her to enjoy all the benefits that we had granted in that agreement.

Secretary MARSHALL. May I comment on that off the record?

Mr. GEARHART. Yes. Off the record.

(Discussion off the record.)

Mr. GEARHART. One of the original purposes of the act was to lessen the barriers against trade and eventually persuade the other countries of the world to

abandon them as principles. As the years have gone by we find the barriers have increased. They have not diminished in number or in importance. They have grown more aggravating and the number has increased, so the policy of overlooking all of these practices and devised procedures of foreign countries is all begetting more and more of those procedures to the greater and greater discom-[p. 244/245]fort of our country. So I think perhaps the policy of continuing this appeasement is getting us nowhere.

Take Mexico as an example. We made an agreement with Mexico. It was rather a complicated agreement. It covered a great many items. We granted valuable concessions in our market and she granted us valuable concessions, so we thought. The agreement approached a balance on the giving of concessions, one country to the other, and then, strange to say, Mexico changed her mind and canceled all the concessions she granted to us on her side of the agreement, and did not content herself with that but raised her tariffs in some instances very much higher than they were before.

Here we are with that situation. We are doing nothing about it so far as the outside world is concerned. What is going on behind the silk and purple curtain now—I will not say the iron curtain—no one knows.

Secretary MARSHALL. This may be purple ribbon that I have here in my hand, but I have a little statement that has been prepared for me. Perhaps Mr. Clayton can analyze it better than I. [Reading:]

Neither Mexico nor the United States has abrogated the trade agreement. Mexico, for balance-of-payments reasons, was compelled to restrict imports including some items in the trade agreement, and for other reasons to raise duties including those on trade-agreement items. These steps were discussed with the United States. We could have taken a doctrinaire attitude and without any attempt to work out a solution to the problem posed by the Mexican difficulties, we could have terminated the agreement. That would not have been to our advantage, or to Mexico's, for it would have inevitably led to an unnecessary deterioration in the relations between the two countries. Also, it would have lost for us the opportunity to influence the amount by which Mexico would increase rates and to obtain compensation for such increases by further bargaining. It seemed a much better course to agree temporarily to increases in duties, the levels equivalent to an ad valorem basis, to those prevailing when the agreement was signed in 1942, and to negotiate with Mexico for offsetting concessions which would restore the balance previously existing in the agreement,

These negotiations are now going on. If they are unsuccessful, we are not precluded from seeking agreements on the basis of withdrawing concessions previously made, or of terminating agreements in accordance with its provisions.

I am sorry that I cannot discuss the details, but that is the statement,

Mr. GEARHART. But when you say the agreement is still in force, you are placing a very heavy strain on credulity. Where we have granted valuable concessions and the other side has granted us nothing, as the situation stands today, it does not seem to me that the agreement is still in effect, except possibly unilaterally on our side.

What was intended by the act? We were to grant concessions in our market only upon the consideration of concessions in the other market, so not only the spirit of the law but the letter of the law stands controverted in this situation.

The question of the dignity of Congress is immediately raised; the dignity of our law, so we begin to wonder about it. When we continually look the other way when they deprive us of the enjoyment of concessions through craftily devised manipulations, such as the ones we have adverted to in our discussions already, we think the United States cannot maintain its dignity in the eyes of the outside world.

We wonder where we are going.

All I would like to do is to rewrite the act, set forth something that more nearly reflects what is happening. Why should we not write something at the top along those lines: For the purpose of establishing [p.245/246] a sound and mutually prosperous trade among the nations of the world, including the United States—a sound and balanced trade, or something of that kind—instead of having us continue the act in its present form when we know before we continue it it is going to be a false representation to the American people and to the people of the world, when we know it will not reflect what the State Department is thinking and what the State Department intends to do, and when we know if the State Department makes another agreement they will just violate the express terms of the act? Why does not everybody want an honest law which can be honestly enforced rather than a law that says one thing and can be, enforced only by subterfuge and by disregarding its terms?

In other words, we are searching for integrity. Why cannot we have the cooperation of the State Department in the writing of that kind of a law?

Secretary MARSHALL. I do not think that you will find any lack of cooperation on the part of the State Department.

Mr. GEARHART. They say pass this law for 3 years without dotting an "i" or crossing a "t," when it fairly bristles with provisions that they are from day to day disregarding. This can be done in a logical and honest way and everybody can retain self-respect. We cannot promote our foreign trade relations through the use of international agreements.

Perhaps I am wrong about this, but sometimes I think they close the courts to a review of the official actions because they know that they have to in order to do what they are doing.

The law says clearly that the President must make a finding as a fact that a certain and given item is burdening international trade before they can slash a tariff, and to this day, so far as anybody has been able to find out, the President has never been asked to make a finding of fact that a certain item is burdening foreign trade. They have proceeded to slash, nevertheless.

Let us take that up and clear that; lift this contempt for the law, but we cannot get any cooperation on that. We know that the President could not have made any findings of fact that certain items that have been slashed were burdening international trade.

The sugar tariff has been slashed. Under the Sugar Act we have a quota on sugar. We have been getting the full quota every year since the act was passed. Who can say it is burdening trade when we are getting all the sugar that we allow to come? Could, the President make a finding of fact that that sugar tariff was burdening our foreign trade?

We want an honest law. We want to breathe integrity into it and we want to lift, from the State Department this constant accusation made against it that the spirit and the letter of the law are being disregarded in an arbitrary and totalitarian way. We want to lift those purple curtains a bit down there. As the legislators of the country, we want to be a bit more in their confidence than we have been in the past, and as the defenders of the Constitution—persons who have held their hands aloft to protect it from our enemies, foreign and domestic—we want to be sure that we are performing our full legislative responsibility.

But we get no cooperation; we just get a mandate that we should [p.246/247] extend the act without the dotting of an "i" or the crossing of a "t."

Mr. Doughton.

Mr. DOUGHTON. Mr. Secretary, we appreciate your appearance this morning, and we appreciate your giving us the benefit of your knowledge, experience, and sound judgment with respect to our foreign relations. You have made a very splendid statement. We have eight or nine more witnesses today, and one more day for rebuttal; therefore, I do not have time to lecture the witness or make long statements of my own.

Mr. GEARHART. You misunderstood me. I did not lecture; I made a plea.

Mr. SIMPSON. Mr. Chairman and Mr. Secretary, I am interested in one particular phase of this matter and would appreciate your opinion.

Why is it that you object to the Congress retaining sufficient power to examine these agreements once your Department has made them and before they become effective as law?

Secretary MARSHALL. Frankly, I will not try to answer that question because I have not gone into that one way or the other. I am sorry. I will know a little later, but I do not know now.

Mr. SIMPSON. Would you are to answer whether as a principle, with respect to a department of Government in the executive branch dealing with public matters, they should as an administrative matter make laws, or whether the Congress should have the right retained to pass upon the merits of those laws and those proposals?

Secretary MARSHALL. I will have to ask you to state that again. As I understood you, we are getting involved in a great constitutional question.

Mr. SIMPSON. I was trying to get your general opinion without going into anything specific, so we will just pass that.

I regret that I was not here when you made your statement. Perhaps you have covered this point. If so, I will ask your forbearance to repeat it briefly.

Do you consider that the provisions of the European recovery program legislation require the passage of this particular bill, the Reciprocal Trade Agreements Act, in order to carry out the European recovery program legislation?

Secretary MARSHALL. My reaction to that, sir, is that the European recovery program has within it principles of the reciprocal trade agreements, and if we were now to abandon this act—an act of this nature—it would not so directly affect the European recovery program as it would directly affect the general understanding abroad of the policy of the United States in such matters.

Mr. SIMPSON. Do you apply that statement to the wording of the Reciprocal Trade Agreements Act as it is today?

Secretary MARSHALL. I could not go into that.

Mr. SIMPSON. I thank you very much.

Mr. GEARHART. Mr. Cooper.

Mr. COOPER. Mr. Chairman, I want to thank the Secretary for his appearance

and his splendid statement. I shall not detain you longer, Mr. Secretary, than to ask you this question: Is it your conviction that the extension of the Trade Agreements Act is of vital importance to the international affairs of this country and a stable economy for this country and the world? [p.247/248]

Secretary MARSHALL. Yes.

Mr. COOPER. I thank you.

Mr. GEARHART. Mr. Ellis.

Mr. ELLIS. Mr. Secretary, all of us are fully aware of the tension in the world today, and most of us understand in a general way the problems that confront our countries and the world. There is almost complete accord as to the very desirable objectives as outlined by yourself, and generally understood by all.

All of us want peace. All of us want healthy commercial intercourse with all the nations of the world. All of us desire to be of assistance to unfortunate peoples and nations. There is, however, a difference of opinion on the mechanics and the procedure in obtaining these objectives.

The Secretary has stated his lack of information as to the details of the Reciprocal Trade Agreements. That is understandable and I respect his position.

I have no questions.

Mr. GEARHART. Mr. Gregory.

Mr. GREGORY. I have no questions.

Mr. GEARHART. Mr. Byrnes.

Mr. BYRNES. Mr. Chairman and Mr. Secretary, I find myself in very general agreement with everything you have said. However, there are one or two questions in my mind that I would like to clear up by way of getting your opinion.

I think our basic objective is the removal of artificial barriers that restrict trade; is that correct?

Secretary MARSHALL. That is correct, sir.

Mr. BYRNES. And I think we are in agreement that the United States should take the lead in encouraging the accomplishment of that objective; is that correct?

Secretary MARSHALL. That is right.

Mr. BYRNES. Can, however, the present barriers be removed only by political trading on an international basis?

Secretary MARSHALL. An answer to that, of course, involves us in a definition of "political trading"; how much is just plain horse trading and how much is the ordinary process of negotiation. I believe the approach to the matter ought to be on the basis of the principle you first enunciated, the removal of artificial barriers that restrict trade. I assume that these negotiations sometimes involve what you call political trading. I think that is unfortunate, but I presume it is unavoidable. The main objective you stated before you asked your last question I think should be the guide to our course.

The point that I tried to make a while ago in my statement was that the profound

difficulty at the present time is that we are dealing with sick people, sick nations. The word "appeasement" was used. I do not take much stock in appeasement.

(Discussion off the record.)

Mr. BYRNES. In this matter of trade barriers the question that arises in my mind is whether the best means of eliminating these artificial barriers that restrict trade is by trading with our rates, or trading with some restriction we might have. I wonder whether or not an example might be a better means of removing these barriers than the club of saying to them, "If you do not remove a restriction [p.248/249] we will make a higher restriction, or leave the restriction that we have where it is."

Secretary MARSHALL. I am in favor of example, but I recognize at the same time we have to be careful to avoid confusion as to whether example is an example or a demonstration of an easy mark. I think the procedure of threat is in the long run generally a disadvantage and political trading becomes necessary. Yet it is usually a chicken that will eventually come home to roost. The higher the plane we can put these matters on the better off we are, but we do have to be realistic.

Mr. BYRNES. A proposal was made to the committee the other day that it would be a real gesture and an earnest of our intention if we would serve notice that we would cancel the agreements but retain the rates stipulated in those agreements. In other words, that it would be tantamount to saying that we, ourselves, would observe the agreements regardless of what foreign countries chose to do; we would act unilaterally in the direction of removing any artificial barriers that we felt burdened commerce.

Secretary MARSHALL. I would not undertake to answer that. That involves too many aspects with which I am not sufficiently familiar.

Mr. BYRNES. In that connection, the question that arises in my mind is that the only way we can remove these artificial barriers that are thrown up is by trading between ourselves and other countries, trading off a barrier for the removal of a barrier some place else.

I am wondering what kind of position we are in today where we have the lowest rates that we have ever had, and I believe the smallest amount of restrictions that we have ever had as far as imports coming into this country are concerned, whereas the other countries have increased their restrictions and barriers to an extent higher than they have ever been in the past.

I wonder, Mr. Secretary, where we are sitting today in this matter of trading in order to remove barriers. I wonder if you have any comment on that.

Secretary MARSHALL. Mr. Clayton can give you a detailed answer on that. I cannot answer it.

Mr. BYRNES. That is all.

Mr. GEARHART. Mr. Forand.

Mr. FORAND. Mr. Secretary, how can the European recovery program ever work unless the European nations find a market for their goods on this side of the Iron Curtain?

Secretary MARSHALL. That is technical, but I will try to answer—

Mr. FORAND. Is it not a fact that the United States is the greatest market of all

for the goods of the world today?

Secretary MARSHALL. I know it is the greatest producer in the world today, but when you get into the detail of markets I hesitate to make a flat reply. I know that it is highly desirable for our imports to match our exports.

Mr. FORAND. Let me make it a little easier. If the people who are now under the European recovery program, so to speak, are not encouraged to sell their goods here; are not given an opportunity to sell their goods here in order to pay for the American products which they buy, I fail to see just how our European recovery program will work. [p.249/250]

Secretary MARSHALL. That states it very simply. There is no question about that.

(Discussion off the record.)

Mr. FORAND. If we do not encourage their exports, imports to us, we have little hope of getting them off our necks eventually.

Secretary MARSHALL. That is substantially the case.

Mr. FORAND. Thank you very much.

Mr. GEARHART. Mr. Goodwin.

Mr. GOODWIN. Mr. Chairman, I want to express my appreciation of the willingness of the distinguished Secretary of State to come before us this morning in person, and his evident desire to be helpful.

I have no questions.

Mr. GEARHART. Mr. Secretary, I want to repeat my thanks to you and express our great appreciation, especially for your willingness to speak to us off the record. Most of us, I think, on both sides, to my left and my right, believe that politics should end at the shore line. Where international good feeling becomes involved you will find that those on my left will make great concessions in the interest of international leadership and good feeling amongst nations.

We are grateful to you for coming.

Secretary MARSHALL. That is very kind of you, and I appreciate very much what you have said, and what all of you have said. I am sorry that I could not be more ready and complete in answering some of the detailed questions.